# CHAPTER 3.
# GDOT Transportation Contracts

Chapter 3 provides an overview of GDOT transportation contracts and describes the process for collecting information on prime contracts and subcontracts. Chapter 3 also analyzes types of work involved and the geographic distribution of businesses performing these contracts. It is organized into four parts:

A. Overview of GDOT transportation contracts;

B. Collection and analysis of GDOT contract data;

C. Types of work involved in GDOT contracts; and

D. Location of businesses performing GDOT work.

Appendix B provides additional discussion of the methods BBC used to collect and analyze the contract data.

## A. Overview of GDOT Transportation Contracts

GDOT uses FHWA and state resources to fund highway and related construction and engineering contracts for projects throughout the state. Examples of GDOT projects include constructing new highway segments, widening and resurfacing roads, and improving bridges.

A typical construction contract involves a prime contractor and a number of subcontractors. Many GDOT projects have an engineering phase prior to construction that requires contracting with engineering companies and related firms. The engineering prime consultant may retain specialized subconsultants to perform work on these contracts.

GDOT also administers FHWA and state funding that goes to transportation projects overseen by cities, counties and other local governments. State funding for local government projects comes through the Local Maintenance and Improvement Grant Program, which in mid-2010 replaced the State Aid and Local Assistance Road (LARP) programs. The Local Maintenance and Improvement Grants Program supports local government surface transportation improvement projects (road resurfacing, widening, etc.). It does not provide funds for related engineering contracts.

Beyond traditional highway projects, GDOT also funds contracts through programs including the federal Transportation Enhancement (TE) program, which supports projects from bike paths and pedestrian walkways to landscaping and historic preservation. GDOT works with the Atlanta Regional Commission on similar Livable Centers Initiative projects.

## B. Collection and Analysis of Prime Contract and Subcontract Data

BBC collected data on GDOT's FHWA- and state-funded construction and engineering-related prime contracts and subcontracts as well as some of the contracts local agencies awarded with funds administered by GDOT.

**Study period.** BBC examined prime contracts and subcontracts for GDOT contracts awarded from January 1, 2009 through June 30, 2011. The study team also collected data for task orders issued within this time period on engineering-related contracts awarded before 2009.

- Because GDOT began collecting comprehensive information on subcontracts for its construction contracts in 2009, January 1, 2009 was selected as the starting date for the study period.

- BBC initiated the disparity study in early 2011, and was able to extend data collection for contracts awarded through the end of the state fiscal year (June 2011).

**Data sources for GDOT contracts.** BBC used several information sources to compile contract, subcontract and vendor data, as described in Appendix B.

- Much of the information concerning GDOT construction prime contracts and subcontracts came from electronic records provided by GDOT. GDOT staff in district offices then reviewed and supplemented these data.

- Information on GDOT engineering-related contracts came from a combination of electronic information and hard copy monthly invoices. BBC collected information for both FHWA- and state-funded contracts.

- Limited information was available for suppliers in GDOT contract records. GDOT provided some supplemental information from certain businesses known by GDOT to be involved as suppliers in its contracts. (See Appendix B for further information.)

GDOT contract records were used to determine whether or not the contract was FHWA-funded.[1] BBC determined contract size based on dollars at time of contract award. The time period for each contract was based on the date of contract award.

**Total number of GDOT contracts examined in the initial data collection.** BBC identified more than 700 GDOT construction contracts and over 140 GDOT engineering-related contracts within the study period.[2] These contracts totaled about $2 billion.

All but a few of these contracts were suitable for inclusion in the utilization and disparity analyses, as described below.

[1] Any dollars of FHWA funding caused GDOT to treat a contract as FHWA-funded.

[2] On task-order engineering contracts, BBC considered each task order as separate prime contract in the analysis. When considering task-order engineering contracts in this manner, the number of engineering-related contracts analyzed in the utilization and disparity analyses totaled more 400 contracts.

**Contracts included in the utilization and disparity analyses.** The disparity study focuses on "transportation-related contracts" — those contracts involving the planning, design, construction, maintenance or repair of transportation infrastructure by GDOT. The following types of contracts were included in BBC's utilization and disparity analyses based on analysis of the contracts and firms receiving the contracts:

- The firm completing the work was a for-profit business; and
- The contract was for transportation construction or engineering-related services.

For each contract and subcontract, the study team researched whether the firm was a for-profit business and identified the subindustry that characterized its primary line of business. "Electrical work" (included under construction) and "surveying" (included under engineering) are two examples of subindustries examined in the disparity study. BBC identified the subindustry based on GDOT contract data and the primary line of work for the contractor.

Based on GDOT data that could be provided for transportation contracts and the above criteria, BBC examined 1,140 contracts totaling $2 billion. About $1.8 billion of those contracts involved FHWA funds, counting the entire contract amount for contracts that were just partially funded through FHWA monies. Figure 3-1 summarizes the number and dollars of contracts included in the disparity study.

**Figure 3-1.**
**Number of GDOT transportation contracts, 2009-June 2011**

Source:
BBC Research & Consulting from GDOT contract data.

| GDOT contracts | Number | Dollars (millions) |
|---|---|---|
| **Construction contracts** | | |
| FHWA-funded | 561 | $1,684 |
| State-funded | 173 | 111 |
| Total | 734 | $1,795 |
| **Engineering-related contracts** | | |
| FHWA-funded contracts | 378 | $180 |
| State-funded | 28 | 12 |
| Total | 406 | $192 |
| **Total contracts** | | |
| FHWA-funded | 939 | $1,864 |
| State-funded | 201 | 123 |
| Total | 1140 | $1,987 |

BBC obtained data for 3,698 subcontracts involved in GDOT contracts. Combining prime contracts and subcontracts, BBC examined 4,838 contract elements.

**Contracts not included in the utilization and disparity analyses.** Because of limited subcontract information available for about 20 engineering-related task-order contracts, these contracts were not included in the utilization, availability and disparity analyses.

**Local agency contracts.** GDOT does not collect comprehensive information on local agency contracts that use FHWA or state funds administered by GDOT. The BBC study team worked with GDOT to request certain information on prime contracts and subcontracts from local agencies and their prime contractors. (Local agencies do not typically receive money through GDOT for engineering contracts.) BBC was able to obtain data for 14 out of the 22 local agency contracts within the study period that were $750,000 or more. These 14 contracts totaled about $60 million.

**Determination of contract amounts performed by the subcontractors and the prime contractor.** For each construction and engineering contract, BBC examined dollars awarded to subcontractors and retained by the prime contractor.

- The value of each was based on the dollar amounts committed to the subcontractor at time of award or at the time that the subcontractor was added to the contract.

- If a contract involved subcontracting, BBC calculated the dollars that went to the prime contractor by subtracting the dollars listed for subcontractors and suppliers from the total contract amount.

When contract award information was not available, BBC used information on payments to prime contractors and subcontractors. For task orders on engineering-related contracts, BBC collected information from invoices submitted.

## C. Types of Work Involved in GDOT Contracts

The study team coded types of work involved in each prime contract and subcontract based upon data in GDOT contract records and, as a supplement, information about the primary line of business for the firm performing the prime contract or subcontract. BBC developed the work types based in part on the coding systems used by GDOT as well as Dun & Bradstreet's 8-digit classification codes.

Highway and street construction work accounted for the most dollars of GDOT transportation contracts during the study period — $1.2 billion out of the $2.0 billion examined. Bridge and elevated highway construction ($252 million) was the second-largest grouping of work, following by engineering ($99 million) and electrical work ($70 million).

When types of work accounted for a small portion of total dollars, they were combined. For example, dollars spent on contractors installing fences, guardrails and signs totaled less than 1 percent of the contract dollars in the study, and BBC combined these types of work. Other types of work that were small or did not fit into other categories were included in "other construction" or "other engineering-related services." Figure 3-2 presents dollars for each work type examined in the study.

**Figure 3-2.**
**Dollars of GDOT prime contracts and subcontracts by subindustry, 2009-June 2011**

| Industry | Total (in thousands) |
|---|---|
| **Construction** | |
| Highway and street construction | $1,176,823 |
| Bridge and elevated highway construction | 251,696 |
| Electrical work | 70,040 |
| Painting, striping and marking | 51,252 |
| Trucking, hauling and storage | 47,746 |
| Concrete work | 40,356 |
| Grading, excavation, drainage and land prep | 24,195 |
| Grassing and erosion control | 16,980 |
| Water, sewer and utility lines | 16,410 |
| Fences, guardrails and signs | 16,209 |
| Asphalt, concrete and other paving materials | 15,450 |
| Other construction materials | 15,881 |
| Other construction | 44,603 |
| **Total construction** | **$1,787,640** |
| **Engineering-related** | |
| Engineering | $99,109 |
| Traffic control systems | 38,791 |
| Construction management | 21,541 |
| Transportation planning | 20,709 |
| Environmental services | 8,518 |
| Surveying and mapping | 7,452 |
| Environmental and materials testing | 3,132 |
| Other engineering-related services | 527 |
| **Total engineering-related** | **$199,778** |
| **Total** | **$1,987,419** |

Source: BBC Research & Consulting from GDOT contract data.

## D. Location of Businesses Performing GDOT Work

In a disparity study, analysis of local marketplace conditions and the availability of firms to perform contracts and subcontracts focuses on the "relevant geographic market area" for agency contracting.

- The study team summed the dollars going to each prime contractor and subcontractor involved in GDOT contracts from 2009 through June 2011.

- For each prime contractor and subcontractor, BBC determined whether the company had a business establishment in Georgia based upon GDOT vendor records and additional research.

- BBC then added the dollars for firms with Georgia locations and compared the total with that for companies with no establishments within the state.

Based upon this analysis, 96 percent of GDOT transportation contract dollars from 2009 through June 2011 went to firms with locations in Georgia.

This information indicated that Georgia should be selected as the relevant geographic market area for the study. Therefore, BBC's availability analysis examined firms with locations in Georgia. The quantitative analyses of marketplace conditions in Chapter 4 also focused on Georgia.

Appendix B provides additional explanation of the methods used to collect and analyze GDOT contract data.